

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 INT-08 SCEM-02 SSO-00 NSCE-00

USIE-00 INRE-00 CIAE-00 DODE-00 PM-07 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 AID-20

COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 RSR-01 /165 W
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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 9487

AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L MOSCOW 6770

E. O. 11652: GDS

TAGS: ENRG

SUBJ: YAKUTSK NATURAL GAS: EL PASO/ OXY- SOVIET DEAL

REF: STATE 111312

1. DEAL SIGNED JUNE 8 BETWEEN EL PASO/ OCCIDENTAL PETROLEUM AND SOVIET MINFOREIGN TRADE IS BASICALLY FRAMEWORK AGREEMENT, MUCH LIKE ONE SIGNED LAST MONTH FOR EXCHANGE OF FERTILIZERS. COMPONENT PARTS OF DEAL REMAIN TO BE WORKED OUT IN INDIVIDUAL CONTRACTS FOR PIPELINE, LIQUEFACTION PLANT, TANKERS, ETC.

2. I ATTENDED SIGNING CEREMONY AT MINISTRY OF FOREIGN TRADE. IN PRESS CONFERENCE IMMEDIATELY FOLLOWING SIGNING CEREMONY BOYD AND HAMMER GAVE ACCOUNT OF DEAL TO US AND OTHER PRESS. I PRESUME STORIES FILED BY ALL MAJOR PAPERS REPRESENTED IN MOSCOW AND PRESENT AT PRESS CONFERENCE.

3. IN PRIVATE CONVERSATION JUNE 7 PRIOR TO SIGNING, HAMMER TOLD ME NO DECISION YET MADE ON LOCATION OF LIQUEFACTION PLANT BUT MOST LIKELY SPOT IS PORT OF OLGA, NORTH OF NAKHODKA.
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HAMMER ALSO ADMITTED MUCH MORE EXPLORATION WORK REMAINS TO BE DONE IN YAKUTIA. HE WAS HOPEFUL EXPERTS FROM EL PASO/ OXY CONSORTIUM WOULD BE WORKING TOGETHER WITH SOVIETS ON THIS. HAMMER SAID BANKING CONSORTIUM WOULD PROBABLY TAKE ON FINANCING.

4. WE HEARD NOTHING FROM HAMMER OR OTHERS WHICH WOULD INDICATE ANY DESIRE TO EXCLUDE JAPANESE PARTICIPATION. ON CONTRARY, PRESS RELEASE ON AGREEMENT SEEMS TO ENCOURAGE/ JAPANESE PARTICIPATION.

5. DEPARTMENT WILL NOTE THAT TEXT OF EL PASO/ OCCIDENTAL PRESS RELEASE, WHICH FOLLOWS, STIPULATES THAT IMPLEMENTATION OF THE PROJECT WILL REQUIRE APPROVAL OF BOTH GOVERNMENTS: QUOTE: EL PASO NATURAL GAS COMPANY REPRESENTED BY CHAIRMAN HOWARD BOYD AND OCCIDENTAL PETROLEUM CORPORATION REPRESENTED BY CHAIRMAN ARMAND HAMMER TODAY SIGNED AN AGREEMENT OF INTENTION WITH THE MINISTRY OF FOREIGN TRADE OF THE U. S. S. R. REPRESENTED BY DEPUTY MINISTER NIKOLAI G. OSIPOV TO DEVELOP A PROJECT TO MOVE NATURAL GAS FROM EASTERN SIBERIA TO THE WEST COAST OF THE UNITED STATES.

QUANTITIES UP TO 2 BILLION CUBIC FEET PER DAY ARE CONTEMPLATED. AT CURRENT MARKET PRICES SUCH GAS OVER THE 25-YEAR TERM OF THE AGREEMENT WOULD EXCEED 10 BILLION DOLLARS TO THE U. S. S. R. IT IS EXPECTED THAT THIS SUM WILL BE SPENT FOR U. S. GOODS AND SERVICES.

THE PROJECT WILL REQUIRE A PIPELINE 2000 MILES IN LENGTH, FROM YAKUTSK TO THE AREA OF VLADIVOSTOK, THE LARGEST LIQUEFACTION PLANT EVER ANNOUNCED, AND A FLEET OF 20 CRYOGENIC TANKERS. THE NON - RUBLE FINANCING FOR THE PROJECT, EXCLUDING SHIPS, WILL APPROXIMATE 2 BILLION DOLLARS.

THE JAPANESE WHO LIKEWISE HAVE BEEN NEGOTIATING WITH THE SOVIETS MAY PARTICIPATE IN THE PROJECT AND TAKE A PORTION OF THE GAS.

ARMAND HAMMER STATED THAT THIS PROJECT WILL SERVE THE LAUDABLE PURPOSE OF FURTHER IMPROVING THE RELATIONS BETWEEN THE WORLD' S TWO GREATEST POWERS.

HOWARD BOYD STATED THAT ALTHOUGH THE RUSSIAN GAS WILL AMOUNT TO LESS THAN TWO PERCENT OF CURRENT CONSUMPTION IN THE UNITED STATES, IT WILL NEVERTHELESS BE A WELCOME SUPPLEMENT TO THE DWINDLING SUPPLIES.

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THE BECHTEL CORPORATION REPRESENTED BY R. M. DORMAN, VICE PRESIDENT ASSISTED IN THE NEGOTIATIONS.

IMPLEMENTATION OF THE PROJECT WILL REQUIRE APPROVAL OF BOTH GOVERNMENTS. UNQUOTE.

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